



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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Controller, Sacramento

E. L. SORENSEN, JR.
Executive Director

September 9, 1999

Re: Change of Ownership of Real Property Transferred from
Limited Partnership to Limited Liability Company

Dear Ms. :

Your letter to Larry Augusta, dated July 15, 1999, was assigned to me for response. You asked us to confirm that the transfer of real property from a limited partnership to a limited liability company (LLC) would not result in a "change of ownership" which would trigger a reassessment of the property. We agree that the transfer will not result in a change of ownership.

You stated that the partnership was comprised of one general partner and one limited partner, each holding fifty percent partnership interest, and that the general partner and the limited partner would be the only members of the transferee LLC, each holding a fifty percent membership interest. (I'm assuming this is not a statutory conversion or merger, pursuant to section 15611 of the California Corporations Code. If it is, there is no transfer, and therefore no change in ownership. See Property Tax Rule 462.180(d)(4).)

Section 62, subdivision (a)(2), of the Revenue and Taxation Code provides for an exclusion from change of ownership -- and hence, no reassessment -- for:

Any transfer between an individual or individuals and a legal entity or between legal entities, such as a cotenancy to a partnership, a partnership to a corporation, or a trust to a cotenancy, that results solely in a change in the method of holding title to the real property and in which proportional ownership interest of the transferors and transferees, whether represented by stock, partnership interest, or otherwise, in each and every piece of real property transferred, remain the same after the transfer.

While LLC's, were not authorized in California until 1994, they are nevertheless clearly encompassed in the broad "legal entity" language of the previously-enacted Section 62, although not specifically mentioned therein. Therefore, you are correct in believing that the proposed transfer you have described would be excluded from change in ownership under Section 62, subdivision (a)(2), and that the transferred property would not be subject to reassessment.

The views expressed in this letter are advisory only. They represent the analysis of the legal staff of the Board based on present law and the facts set forth herein, and are not binding on any person or public entity. You might wish to contact the Los Angeles County Assessor's office to ascertain that the county staff agrees with these views.

Feel free to call me at (916) 327-2455 if you have any further questions.

Sincerely,

/s/ Susan Scott

Susan Scott
Tax Counsel

SAS:jd

H:/property/precednt/prtnrshp/1999/11sas

cc: Honorable Kenneth P. Hahn
Mr. Richard Johnson – MIC:63
Mr. David Gau – MIC:64
Mr. Larry Augusta
Ms. Jennifer Willis – MIC:70